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THESIS

**MALAYSIA, SINGAPORE, AND INDONESIA-
CONTROLLING THE MALACCA STRAITS**

by

Way Bandy, Jr.

December 1997

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**MALAYSIA, SINGAPORE, AND INDONESIA-
CONTROLLING THE MALACCA STRAITS**

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Lieutenant, United States Navy
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Submitted in partial fulfillment
of the requirements for the degree of

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ABSTRACT

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I. INTRODUCTION

This thesis explores the collective ability of Malaysia, Singapore and Indonesia to control the use of the Straits of Malacca and Singapore, more commonly referred to as the Malacca Straits. With burgeoning economies as a source of funding, these three nations have increased the quantity and quality of their militaries. In this thesis, I suggest that they possess the means to control these straits even to the extent of denying passage to other navies.

If the littoral states opt to restrict passage through the Malacca Straits, the collective composition and capability of their militaries would render the prospect of a forced passage costly in terms of vessels sunk or damaged. The littoral states possess a large number of Harpoon and Exocet anti-ship missiles, which are installed on an equally large number of frigates, corvettes, and patrol craft. They have also developed extensive air forces. Additionally, the littoral states possess long-range, mobile artillery with effective ranges sufficient to engage vessels attempting to force passage through the Malacca Straits.

While not on par with a larger, more advanced navy, the littoral states possess sufficient quantities of highly mobile weapon systems to make forced passage through the Malacca Straits a cost prohibitive option. The potential costs associated with vessels lost or damaged while attempting a

forced passage would far outweigh the costs associated with making a longer transit, both in terms of time and distance, through the Lombok and Makassar Straits. The option of an alternate transit corridor, albeit a longer one, significantly reduces the likelihood that a non-littoral nation would risk a forced passage through the Malacca Straits. Strategic planners should consider this observation when planning force movements involving the Malacca Straits.

The remainder of this chapter will discuss the geographic characteristics of the Indo-Pacific area and the importance of this region to the littoral states. Also discussed is the economic, political, and military significance of the Malacca Straits with regard to the littoral states. The chapter concludes with a discussion of the environmental issues centered on the Malacca Straits and their impact on the littoral states.

In Chapter II, the history, politico-military background and policy, foreign economic and military assistance, defense industry and military structure, alliances, and national security concerns for each of the littoral states is reviewed. This information is presented to establish the character of each country and present the framework for their interest in the Malacca Straits.

Chapter III presents the force composition, capability, and analysis of each of the littoral states' militaries. The

information in this chapter supports the argument that the littoral states possess the military capability to control the use of the Malacca Straits.

Chapter IV presents three pressing issues for the littoral states that may serve as catalysts for restricting the Malacca Straits. These issues are discussed in terms of their relevance to the littoral states and how they would be affected. This is followed by conclusions presented in Chapter V.

The material used to present and support the argument of this paper was developed by utilizing primary and secondary sources such as textbooks, periodicals, and news papers. In some instances, the references utilized are dated. However, the information presented is relevant to current issues. Every attempt to present the most current data has been made.

A. THE INDO-PACIFIC AREA

The Indo-Pacific area incorporates six regions. These are the Southeast, Central South, and Southwest Asia, the Indian Ocean, Northeast Asia, and Oceania. (Dupuy, 1993, vol. 3, p. 1252) While this region incorporates more than 93 million square miles, the most significant waterways connecting all the sub-regions of the area are the Malacca Straits. Located between Sumatra and the Malayan Peninsula, the Malacca Straits are the major international navigation route linking the Pacific Ocean, the South China Sea, and the

Indian Ocean. The Straits vary in width from 10 to 220 miles and are slightly over 500 miles in length. There are three stretches of the Straits that are less than 24 miles wide. At these narrow points, the 12-mile territorial waters claimed by each of the coastal states of Indonesia and Malaysia overlap and together cover the entire width of the Straits. Additionally, there are places in the Malacca channel that run through the territorial waters of the coastal states, even when the total width is more than 24 miles. (Vertzberger, 1982, pp. 3-4)

The eastern continuation of the Malacca Straits is officially recognized as the Straits of Singapore. They serve as a link to the South China Sea. Situated between the islands of Indonesia and the southern coast of Malaysian Johor and the Island of Singapore, the Straits of Singapore serve as a link to the South China Sea. The length of these particular straits is 75 miles. They never measure more than 12 miles in width. Through these straits, the navigable passage zone lies within the six-mile territorial limit of the littoral states. The Malacca Straits can be bypassed through the Sunda, Lombok, Makassar, and Ombai-Wetar Straits. However, these are narrow, shallow waterways that lie entirely within Indonesian archipelagic waters. (Vertzberger, 1982, p. 4)

The Malacca Straits are the vital link between the Pacific and Indian Oceans, providing the means for transport

of vast quantities of food, fuel, and other natural resources to all sixty nations of Asia. The Straits also serve as a critically important route to the troublesome Middle East for the U. S. Seventh Fleet. More important than the distances between points in the Indo-Pacific area are the total number of "steaming days" required to transport personnel and materiel over the constrained routings that may be available in time of conflict. The amount of time required for ship movement and resupply efforts are often measured in terms of weeks, even months, rather than hours or days. The complexities resulting from regional hostilities will make the actual time requirements for ship movement or resupply efforts much greater than what might be calculated by simply reviewing a navigation chart and determining the most direct routes. (Dupuy, 1993, vol. 3, p. 1252)

B. ECONOMIC SIGNIFICANCE OF THE MALACCA STRAITS

The Malacca Straits are important to the world's economy. In 1993, the sea-borne freight traffic loaded for international distribution from Indonesian ports totaled 142,968,400 metric tons and international goods unloaded in these ports originating from countries around the world amounted to 44,958,800 metric tons. Peninsular Malaysia registered 9,620 foreign trade vessels entering its ports in 1990 with 57,050,000 registered tons of cargo. Similarly, Singapore's registered international sea-borne shipping in

1995 totaled 130,224,300 freight tons loaded and 175,259,700 freight tons unloaded. That same year, 104,123 foreign ships were cleared to enter and exit Singapore's ports. (Europa Yearbook, 1997, pp. 1649, 2140, 2900) If alternate routes to the Malacca Straits had to be used, the costs associated with longer transits and time delays would be significant. This may present serious problems for the economies of most nations using the straits as a trade route. The specific amounts of additional costs would vary depending upon the locations of the port of origin and the port of destination.

C. POLITICAL SIGNIFICANCE OF THE MALACCA STRAITS

During the last fifty years, the Straits regions' political entities, have attained political independence. These newly formed nations have been given title to vast expanses of ocean resources by Law of the Sea (LOS) agreements. Interpretation of technical provisions of treaties and the influence of relationships that existed prior to gaining independence are the source of potential conflict. Additional sources of potential conflict are ethnic, linguistic, and religious differences within and between the states.

Various ideologies, the education of present and future leaders in various "mother" countries, the rise in terrorism, and revolutionary conflict may raise the level of instability in the Straits region in the years ahead. This may lead to

calls for politico-military intervention by external powers. Military forces would be forced to transit a very complex set of subregions and individual political entities interconnected by sealanes of communication (SLOCs) in the waters of the Straits region. (Dupuy, 1993, vol. 3, p. 1253)

The political significance of the Malacca Straits was made clearer when the foreign ministers of Indonesia, Malaysia and Singapore met in November 1971 to consider the question of the status of the Straits and the passage through them. These talks resulted in a full agreement between Malaysia and Indonesia, and only a partial agreement with Singapore. On 16 November 1971, it was announced that:

1. Since the safety of navigation through the Malacca Straits was the responsibility of the three coastal countries, all three nations should cooperate towards this end.
2. In order to reach the fullest cooperation, the states concerned would create a coordinating body which would comprise only these three coastal countries.
3. Safety of navigation through the Straits and their internationalisation would be considered as two separate issues. (Vertzberger, 1982, p. 4)

It was this third item on which the littoral states were divided. Malaysia and Indonesia were willing to accept the principle of "innocent passage" of international shipping, but insisted that the Straits were not international waters and were, instead, territorial seas. Singapore, while expressing its reservations, stated that it "took note" of the position

of the other two countries. (Vertzberger, 1982, p. 4)

D. MILITARY SIGNIFICANCE OF THE MALACCA STRAITS

Several military forces operate in the waters of the Straits. Their presence has created global and regional politico-military complexities which include: political demands for the establishment of nuclear-free zones; the movement of military troops to control outbreaks of potential revolutionary and nationalistic activity in various Indo-Pacific islands and island groups; quarrels over mineral rights and fishing fleet intrusions. These issues give clear testimony to the increasing potential for the need to move, and possibly deploy, combat troops into the Indo-Pacific area. Overlapping lines of communication are coupled with barriers and zones of influence that will affect military planning. Regional instability may result in troop and supply movements between the Pacific and Indian Oceans where the Malacca Straits would be the first choice as a connecting route. Use of the straits may not be an option if the littoral powers move to take control of the straits, forcing military planners to cope with a host of geographic, economic, and political factors that may influence alternate routing. (Dupuy, 1993, vol. 3, p. 1253)

When projecting military force, the amount of time necessary to reach the area of operation is a key consideration. This time consideration is largely determined

by the distance, especially in those areas where naval forces have to respond rapidly to unforeseen developments. In terms of sustained deployment, the increased distance from base to area of deployment has a price associated with time on station and the overall number of naval units needed to achieve a given level of presence at any time. This makes free passage through the Malacca Straits important to all operational military planning. (MccGwire, 1975, pp. 1062-1070)

When considering the importance of the sea lanes in the straits region, the relative numerical strength and quality of naval forces present should be considered. A hypothetical example will illustrate this point: a regional confrontation involving regional powers only, with Japan opposed to Malaysia, Singapore, and Indonesia. Even though Japan has decisive qualitative superiority in large modern warships, the naval balance is inclined toward the littoral states because of the quantitatively superior air power which they can bring to bear. The Japanese Air Self-Defense Force (ASDF) is much larger and more modern. However, the Malacca Straits are beyond the effective range of the ASDF and Japan does not possess an aircraft carrier to extend the range of its air power.

Another advantage enjoyed by the littoral states is that the Malacca Straits can be covered by artillery or other shore-based weapon systems and the narrow passage can be

easily mined or blocked by ships sunk in it. These tactics were employed by Egypt in the Suez Canal in 1956. If the littoral states were to mine the straits, their air and artillery cover from mobile shore batteries would be enough force to prevent effective mine-sweeping operations. (Foss, 1996, pp. 806-807)

The littoral states are capable of inflicting sufficient damage to render any supposed benefit from naval intervention very costly. This argument is supported by the fact that the littoral states possess, in addition to long-range artillery, Harpoon Anti-ship missiles as well as Exocet Anti-ship missiles. The navies of the three littoral states have been sufficiently upgraded with small, fast patrol boats capable of firing these anti-ship missiles, providing a fast, inexpensive, reliable, and powerful destructive force. (Sharpe, 1997, pp. 303-631) The combined sea denial capability of Malaysia, Singapore, and Indonesia is impressive enough to prevent, at least in the short term, sea control by a hostile navy at either the eastern or western approaches to the Malacca Straits. In light of the potential for increased tensions in the Asia/Pacific region, the littoral states can be expected to continue modernizing their military capabilities.

E. ENVIRONMENTAL ISSUES CENTERED ON THE MALACCA STRAITS

The littoral states' concerns pertaining to protection of the environment in the straits region stem from the potential consequences of a major oil spill. Malaysia and Indonesia are fearful that a collision or grounding would result in a massive oil spill. This is concern of major significance in that a large part of the population of both countries live along the coastlines of the straits and these people make their living off of the fishing industry. Both countries have extensive fishing areas in and around the Malacca Straits and in the event of a major oil spill in this region, the fishing areas, as well as the economic livelihood of those associated with the fishing industry, would be devastated. While Singapore's population is less involved in the fishing industry, the interruption in shipping traffic resulting from clean-up efforts associated with an oil spill would mean a significant loss of revenue. Singapore's extensive port facilities as these ships would likely be required to transit the Lombok and Makassar Straits instead of the Malacca Straits. An additional concern for Singapore is the potential of a collision, resulting in a sinking, or a grounding that would block the straits given the narrowness of the navigation canal.

The crucial question relating to environmental issues in the Malacca Straits region is whether, and to what extent, the

environmental, economic, security, and political requirements of the littoral states are compatible or at variance with the interests of the non-littoral states. If these interests can be uniformly satisfied, then the Malacca Straits can remain an environmentally protected area and at the same time a globally important and peaceful sea-lane of commerce. If, however, these interests prove to be conflicting, then the straits are likely to become a region of discontent among those competing for its use. The potential for hostilities could then be viewed as a relevant and impending concern. (Johnston, 1972, p. 181)

The littoral states stepped up their efforts to regulate shipping in the straits region in 1975, when the 237,000-ton Japanese supertanker *Showa Maru* ran aground only 5 miles south of Singapore. Nearly one million gallons of crude oil were spilled into the Straits. (Leifer, 1978, pp. 62-78) After this incident, a Malaysian Foreign Office official was quoted as saying "what we are worried about is the big collision that will damage our ecology permanently." (New York Times, 28 August 1975, p. 4) More than 150 ships pass through the straits daily, with at least 25 percent of these tankers displacing more than 200,000 tons. The potential exists for a major ecological disaster. Other serious ecological issues resulting from the increased trade in the region include greater levels of pollution, the endangerment of many

sensitive marine species and the introduction of non-native biological pests and dangerous predators. Additional negative ecological effects might result from extensive commercial ocean bottom mining and the test and disposal of nuclear materials. (Vertzberger, 1982, p. 9)

By raising the problem of pollution, Malaysia, Singapore, and Indonesia have emphasized a major issue relating not only to the environmental protection of the Malacca Straits, but also to several other sea-lanes and the Southeast Asian waters in general. This assessment of their actions on the environmental front, as well as the other facets of the Malacca Straits, sets the stage for an examination of the positions of each of the littoral states.

II. THE LITTORAL STATES

This chapter presents several issues pertaining to the littoral states to establish the basis for their historical, political, economic, and national security concerns relating to the Malacca Straits. An understanding of these issues is important before considering the significance of the Malacca Straits to the littoral states and why they would conceivably resort to military force in protecting their interests.

A. MALAYSIA

1. History

Because of its abundant natural resources and its key strategic position in the Malacca Straits region, Malaysia has attracted sailors and merchants from other parts of Asia since the first century A.D. The states that make up the whole of Malaysia are the Malay Peninsula, Sabah, and Sarawak. Because they were skilled navigators themselves, the coastal peoples of the peninsula and the Malay Archipelago were able to control the use of the Malacca Straits. Ships carrying goods from the countries on the Indian Ocean littoral to China had to pass through the Malacca Straits, making it possible for Malaysians to establish prosperous entrepot states where the products of East and West, as well as those of local origin, were traded. (Bunge, 1985, p. 3)

As a major center of shipping and commerce, Malacca enjoyed extensive interaction with Chinese, Arab, Malay, and

Indian merchants. Malacca was conquered by the Portuguese in 1511 with the Dutch gaining control in 1641. The British took control in 1795 and by 1826 they had combined the settlements of Malacca, Penang, and Singapore into the Straits Settlements Colony. The British later established protectorates over the Malay Sultanates on the peninsula and in 1895 four of these became the Federated Malay States. During their reign, the British developed public administration, public services, and large-scale rubber and tin production. They were also instrumental in soliciting immigration from China and India to provide the additional workers needed for economic expansion. (Vreeland, 1984, pp. 3-4)

Malaysia was invaded and occupied by the Japanese from 1942 to 1945. At the war's end, there was an increase in popular demand for independence and in 1957, the Federation of Malaya was established on the Malayan peninsula. Once independence from the United Kingdom had been achieved, the former British colonies of Singapore, Sarawak, and Sabah were added to the federation. On 16 September 1963, the name Malaya was changed to Malaysia. Singapore was invited to leave Malaysia and established its own independence in 1965.

From 1948 to 1960, Malaysia had been thrown into turmoil by a communist-inspired revolution. Insurgents, mostly Chinese citizens, tried to gain control through force. British troops were requested and were instrumental in

restoring peace. (Bunge, 1985, pp. 47-48)

2. Politico-Military Background and Policy

Malaysia, a federated constitutional monarchy, consists of thirteen component states and two federal territories. As a member of the British Commonwealth, it has a bicameral parliamentary form of government. The paramount ruler is elected and serves as the commander-in-chief of the armed forces and the leader of the Islamic faith in Malaysia. The states exercise limited powers through an assembly and a chief minister. Of these, nine have hereditary rulers, most using the title of sultan. The judicial system is based on English common law with the Supreme Court reviewing legislative acts at the request of the Supreme Head of the Federation.

Noninvolvement in Great Power conflicts, or nonalignment, as Malaysian leaders calls it, remains one of the more important aspects of their foreign policy. Desiring neither to alienate nonaligned neighbors such as Indonesia, Singapore, Burma, and India nor to displease China, Malaysia did not join the Southeast Asia Treaty Organization at its formation in 1954, commonly viewed as an anticommunist, pro-Western military alliance. This, however, did not prevent Malaysia from signing a bilateral mutual defense pact with Britain. The rationale behind this bilateral mutual defense pact with Britain was since it was not concluded in the context of any East-West conflict, it did not contradict the nonalignment

policy. (Vreeland, 1985, p. 227)

Malaysia is linked with Singapore militarily through the 1971 Five-Powers Defense Agreement, an arrangement under which the security of Malaysia and Singapore is guaranteed by Britain, Australia, and New Zealand. Malaysia also cooperates extensively with Indonesia in maintaining the security of the Malacca Straits. (LePoer, 1991, p. 211) Malaysia also has formal diplomatic relations with all sides of the international scene. Malaysia stands as a moderate member of the Non-Aligned Movement of Islamic Countries. The mainstay of Malaysian foreign policy centers around support for regional cooperation, especially within the Association of Southeast Asia Nations (ASEAN), of which it is a member. (Broinowski, 1982, pp. 10-11) Malaysia also has recently been promoting new initiatives that focus on Japan and South Korea as models for economic development.

3. Foreign Economic and Military Assistance

Far greater emphasis is placed on receiving economic assistance from major powers than on soliciting military assistance. During the period 1970 to 1984, U.S. financial commitments totaled US\$170 million. From 1970 to 1987, other Western nations' contributions were a staggering US\$3.8 billion. (Central Intelligence Agency, The World Factbook, 1995, p. 263) United States military aid, in the form of Foreign Military Sales credits, totaled over US\$17 million

from 1972 to 1982. Additionally, a small number of armed forces personnel have received advanced military and technical training from military institutions in Australia, Britain, India, and the United States. (Bunge, 1984, p. 258) Malaysia's military equipment is predominantly of Western origin, with the majority of it coming from the United Kingdom and the United States in the form of armored vehicles, ships, and aircraft. (Dupuy, 1993, vol. 4, p. 1603) Malaysia committed limited military support to United Nations peacekeeping forces in the Congo in 1960 and again in Namibia in 1983. (Dupuy, 1993, vol. 4, p. 1603)

4. Defense Industry and Military Structure

Malaysia is the world's third largest manufacturer of semiconductor devices and the world's largest exporter of semiconductors. Malaysia makes an indirect but substantial contribution to the command and control, guidance, and other electronic-based military systems of nations around the globe. (World Military Expenditures and Arms Transfers, 1995, p. 134)

Malaysia's defense structure comprises the civilian Ministry of Defense and three separate military services. These are the Royal Malaysian Army, the Royal Malaysian Navy, and the Royal Malaysian Air Force. Command of the armed forces is vested by the Constitution in the supreme head of the federation, more commonly referred to as the paramount ruler. It is under his authority that the defense

establishment carries out all of their activities. Further specified by the Constitution is the condition that all officers hold the paramount ruler's commission and that he has the prerogative of granting mercy in military offenses that are tried by courts-martial. However, the power to declare war resides in the parliament. Through this arrangement, the armed forces are accountable to both the paramount ruler and the people, the latter exercising control through elected representatives in the parliament, which determines the size and composition of the services and appropriations needed to support them. (The Statesman's Yearbook, 1997, p. 871)

Malaysia's Defense Guidance document contains three basic tenants: self reliance, regional cooperation, and extra-regional initiatives. With regard to self reliance, the Malaysian government has undertaken a considerable military modernization program. Malaysia's defense budget is one of the largest within ASEAN and accounts for approximately 5% of its GDP. Due to its perceived need to protect coastal waters and expanded economic zones, the Royal Malaysian Air Force and the Royal Malaysian Navy have been the major beneficiaries of this modernization program. For example, Great Britain recently sold 28 Hawk fighters to the Royal Malaysian Air Force. Add to that the 18 MiG-29 fighters from Russia and the 8 F/A-18s from the United States and Malaysia has an air force which could be a serious contender in a hostile environment.

(Berry, 1997, p. 35)

Ministry of Defense officials were careful to explain this modernization program as an attempt to boost the domestic economy and Malaysia's contribution to regional stability. In 1994 Defense Minister Najib indicated that increased deterrence was one important goal of modernization while also pointing out that the armed forces needed to stay current with technological advances to remain proficient. He further suggested these technologies would benefit the civilian economy as well. (East Asia Daily Report, 4 March 1994, p. 51) Additionally, Defense Minister Najib argued that a stronger Malaysian military would mean a stronger ASEAN and would also permit Malaysia to continue support for United Nations peacekeeping operations. (East Asia Daily Report, 1 August 1994, p. 79) Najib's successor as Defense Minister, Syed Hamid, noted that the defense modernization program provided "leverage" for other industries in Malaysia. (East Asian Daily Report, 8 December 1995, p. 53) He stated in March 1996 that Malaysia was not involved in an arms race, but was simply updating equipment which had become obsolete. By couching the modernization program in this way, Syed Hamid hoped to allay suspicions within the region and beyond concerning Malaysia's intentions. (East Asian Daily Report, 7 March 1996, p. 55)

5. Alliances

Malaysia professes a firm commitment to a position of nonalignment. However, membership in various military and economic organizations suggest otherwise. It is a charter member of ASEAN and the defense-aligned Five-Power Defense Arrangement (FDPA), whose other members include Britain, Australia, New Zealand, and Singapore. Cooperation with predominantly Chinese Singapore has, at times, proven to be quite problematic. Malaysia has entered into several regional agreements outside the framework of its more formal memberships. While a few of these are related to mutual defense concerns, the majority involve economic cooperation. Malaysia also maintains membership in the United Nations as well as a wide variety of international economic, trade, and health organizations. (Central Intelligence Agency, The World Factbook, 1995, p. 263)

Malaysia's two major extra-regional defense arrangements are membership in the Five Power Defense Arrangement (FPDA), which was formed in 1971, and its security relationship with the United States. The reasons for these arrangements were because, at the time, Malaysia and Singapore did not have the air and naval forces to defend their air space and coastal waters. There was also a concern that the United States might depart the region after the Vietnam war and that British Forces might also leave the region after its "East of Suez"

announcement in the early 1970s. (International Herald Tribune, 3 September 1996, p. 4) Currently, one of the major challenges for the FPDA members is defining new roles in the post-Cold War era. (The Sunday Times-Singapore, 15 September 1996, p. 27)

6. National Security Concerns

In spite of a recent down-turn in economic performance, Malaysia's overall economic record has been impressive. This, coupled with the ability to service debt, makes Malaysia well regarded internationally. The current financial crisis that is affecting Southeast Asia as a whole, appears to have little to do with Malaysia. In the February 26, 1997 issue of the *Crossborder Monitor*, forecasters predicted Malaysia's economic performance would continue to be robust over the next five years. Strong investment and export growth, the same factors that fueled impressive growth over the past ten years, are cited as reasons. These same forecasters also predicted that Malaysia's current economic slowdown would bottom-out sometime in 1997, but that they would still achieve GDP growth of 8.1 percent. (Crossborder Monitor, 1997, p. 7) Four months later, in the June 18, 1997 issue of the *Crossborder Monitor* forecasters adjusted their prediction to reflect a GDP growth-rate of only 7.6 percent. The reason for the re-evaluation was an observed reduction in bank lending to the manufacturing sector in 1996 and to the construction sector in early 1997.

(Crossborder Monitor, 1997, p.7)

The uncertainty over Malaysia's current perceived financial difficulties is directly traceable to neighboring Thailand. Nervous fund managers, who overlooked Thailand's mounting economic problems for so long, are attempting to anticipate the region's next banking crisis. Malaysians need not worry. S. Jayasankaran filed a report from Kuala Lumpur in the September 25, 1997 issue of the *Far Eastern Economic Review* stating "Many analysts believe that the Malaysian banking system is sturdier than most in the region and discount the possibility of a systemic Thai-style collapse." (Jayasankaran, 1997, p. 92) As further evidence of Malaysia's apparent economic security, the July 12, 1997 issue of *The Economist* reported that "...Malaysia (is) better-positioned to ride out South-East Asia's currency troubles." (The Economist, 1997, p. 62)

However, there are four important sources of international concern not directly related to the financial sector. First, Malaysia is involved in a complex dispute with China, the Philippines, Taiwan, and Vietnam over the rights to the Spratly Islands in the South China Sea. Second, Brunei has expressed a desire to purchase the Malaysian salient that divides Brunei into two parts on the north shore of Borneo. Malaysia vehemently refuses to consider this offer. Third, Philippine officials continue to press the issue on a twenty-

year-old claim to Sabah. Fourth, Malaysia is involved in a fishing-rights conflict with Thailand. (Dupuy, 1993, vol. 4, pp. 1602-03)

An example illustrating the extent to which fishing-rights conflicts have escalated involves Thailand and its aggressive, trespassing fishing fleet. Thailand's recent violations of its neighbors' territorial waters has resulted in several armed responses. One observer has noted that these activities have turned the seas of Southeast Asia into a battle ground. Experts are concerned that continued disregard for territorial fishing areas could pose a threat to regional security if regional navies are drawn into the fray while attempting to protect their areas.

To supply the country's huge fish-processing industry and preserve its place as the world's leading seafood exporter, Thailand's fishermen are plundering the waters off Burma, Malaysia, Cambodia, Vietnam, and Indonesia. As these countries have become more intent and better equipped to defend their marine resources, they have begun to fight back. One such incident occurred in 1995 when Thai warships became involved in a firefight with Vietnamese coastal patrol boats that were attempting to arrest six Thai trawlers in the Gulf of Thailand. Two Vietnamese sailors and one Thai fisherman were killed in the exchange. Each country justified its actions by claiming that the clash took place in its

territorial waters. Five other Thai fishermen were killed when a Burmese naval vessel fired on their trawler later that same year. The Malaysian navy killed two Thai fishermen -- one a 14-year-old boy -- during a 1996 pursuit. Southeast Asian countries continue to claim and defend often-overlapping exclusive economic zones. Consequently, with better-equipped navies, they have the means to enforce their claims as well as to protect their fisheries from encroachment. (Saywell, 1997, pp. 53-54)

One of the most pressing strategic concerns for Malaysia is maintaining territorial integrity. This is due to Malaysia's important geostrategic positioning in the Malacca Straits region as well as its own disjointed geographical orientation. Sabah and Sarawak are separated from peninsular Malaysia by 100 miles of the South China Sea. Important future energy sources lie within islands and atolls in the South China Sea to which Malaysia has claims. There are additional oil and natural gas fields west of Sabah and Sarawak. Keeping a watchful eye on these vast areas is a source of continuing concern for Malaysian officials. (Berry, 1997, p. 31) Other primary national security interests are domestic peace and stability. Malaysia is a multi-ethnic society with a population comprised of approximately sixty percent Malay, thirty percent Chinese, and eight percent Indian. Significant ethnic clashes occurred in the late 1960s

however, the government intervened with programs which appeased the contending ethnic groups and peace was restored. Malaysia still faces some difficult ethnic issues which place a premium on economic development. Provided the economy continues to perform as it had prior to the modest slow down experienced from mid-1996 to the present, ethnic tensions are not likely to pose a problem for officials. To this end, Malaysia's Prime Minister Mahathir Mohamad announced in 1994 a lofty goal entitled "Vision 2020." (Berry, 1997, p. 32) The intention of this program is to facilitate Malaysia's becoming a full industrial nation-state by the year 2020. Clearly, one of the most desired outcomes of this program is to minimize ethnic tensions through the attainment of economic benefits for all ethnic groups. Malaysian economic experts have postulated that the economy would have to average seven percent annual growth until the year 2020 to achieve all of the goals of the program. This assumes continued harmony at home as well as regional peace and stability.

Malaysian national security concerns are, in fact, highly sensitive to continued regional peace and stability. These conditions have had a profound effect on Malaysia's rapid economic growth and development. The 1990s witnessed Malaysia's rate of GDP growth as being one of the highest, not only in East Asia, but throughout the world. An example supporting this observation is that the economy grew by 9.2

percent in 1994 and 9.3 percent in 1995. Economic growth in 1996 slipped to a still impressive 8.5 percent. (The Stanford Report, 1996, p. 61) By contrast, the economic growth of the Philippines was roughly half that of Malaysia, with increases of 4.4 percent in 1994 and 4.8 percent in 1995. (Berry, 1997, pp. 31-33) This economic growth is partially explained by Malaysia's export policies. Therefore, maintaining access to the vital sealanes in the Malacca Straits and the South China Sea to ensure continued economic success has become another important strategic concern for Malaysia.

During the Cold War, Malaysia was concerned about the use of the Malacca Straits by the superpowers, the United States and the Soviet Union. During this period, Malaysia, Singapore, and Indonesia, were aware that their collective weakness would not enable them to impose their views on the superpowers concerning peace in the region. The littoral states' goal was to achieve a situation in which U.S. and Soviet naval forces in the straits region and Indian Ocean were balanced at reasonably low levels. (Muertopo, 1977, p. 215) Anxieties over this matter were expressed by a high official of Malaysia's Foreign Ministry:

We are very concerned about the passage of warships from the South China Sea to the Indian Ocean. Suppose a war broke out there. We could be in the middle. This we cannot allow to happen. (New York Times, 28 August 1975, p. 4)

The end of the Cold War has not ended Malaysia's anxieties over regional confrontation. Malaysia's security concerns have increased as a result of the growing disputes over the Spratly Islands and the potential resources there, sea bottom mining, and ever-expanding exclusive economic zones. (Berry, 1997, p. 34) Any conflict resulting from any of these concerns or others will almost certainly spill over into the Malacca Straits, threatening the security of Malaysia.

When addressing the issues of regional threats, Malaysian officials choose their words carefully. For example, the term "threats" is never used, but rather "challenges" or "defense of strategic interests." The rationale behind this caution is to avoid offending the other countries of ASEAN and more importantly, China. (Berry, 1997, pp. 32-33) With the Soviet presence now gone, the United States force reductions in the Asia/Pacific region, and China increasing its strength in the South China Sea, Malaysian officials became concerned. Major General Raja Abdul Rashid, Director of Intelligence, Malaysian Armed Forces voiced these concerns in a 1990 interview. Although he did not use the phrase "power vacuum" in the interview, he was clearly indicating concerns over the possibility that China might try to replace Soviet and United States military forces with its own. (East Asian Daily Report, 22 February 1990, pp. 39-42) In a December 1992 interview with the same security theme, Malaysian Defense

Minister Datuk Sri Najib Tun Razak expressed his concern that if China acquired nuclear submarines, an aircraft carrier, or developed its military bases in southern China for power projection purposes, Malaysia and other countries in Southeast Asia would have drastically increased security concerns. (International Herald Tribune, 21 December 1992, p. 2) However, by the mid-1990s, Prime Minister Mahathir made it clear that Malaysia did not consider China to be a threat. The apparent rationale behind this evaluation was a May 1996 visit to Malaysia by China's Vice Prime Minister Zhu Rongji. He explained that China's military modernization was defensive in nature and not directed at any country or region. (East Asian Daily Report, 24 May 1996, p. 49) To ensure there was no confusion over perceptions of China's military modernization plans, Prime Minister Mahathir traveled to Beijing and reiterated that he was confident that China did not have expansionist intentions. (East Asian Daily Report, 28 August 1996, pp. 55-56)

B. SINGAPORE

1. History

The history of Singapore has little to do with war and politics and more to do with commerce. Legend suggests that Singapore was an important shipping and trade center as early as 700 A.D. Sir Thomas Stanford Raffles, a British East India Company representative in 1819, anticipated the commercial

potential of Singapore. The British purchased Singapore in 1824 and by 1825 its major port facility was handling trade shipments that exceeded the ports of Malacca and Penang combined. These three areas were joined together as the Straits Settlement Colony in 1830. Protectorates were then established over the Malay Sultanates on the peninsula.

This prosperity was further enhanced by an increase in the world demand for rubber and tin during the twentieth century. As a result, Singapore was transformed into a major global port. This prompted the British to become concerned with its defense. They constructed a naval base in Singapore 1921. Singapore was captured by the Japanese in 1942. It was regained by the British in 1945.

When Penang and Malacca were made a British Crown Colony in 1946, Singapore remained separate. It became self-governing in 1954 and, in 1963, Singapore became a member of the independent Federation of Malaysia, formerly Malaya. As a result of Indonesia's adoption of a so-called confrontation policy against Malaysia later in that same year, Singapore experienced a significant loss in trade and widespread animosity among other Malaysian states and Indonesia. Before these problems could be resolved, Singapore left Malaysia to become independent in August 1965. (Dupuy, 1993, vol. 5, p. 2432)

With a total land area equal to three and a half times the size of Washington, D.C., the Republic of Singapore is a city-state island located at the tip of the Malaysian peninsula. Occupying an enviable position as the focal point of Southeast Asian ocean routes, its economic position in the world is greatly out of proportion to its tiny size. Singapore's economic well-being is singularly dependent on world markets.

Singapore is the center for sea and air transportation and communications in Southeast Asia and is the world's second busiest port, exceeded only by Rotterdam. With plans of becoming a world business center, Singapore has aggressively pursued development efforts to reduce its vulnerability to external economic swings. (LePoer, 1991, p. 29)

2. Politico-Military Background and Policy

Singapore is a parliamentary republic of the British Commonwealth. Features of the government include a ceremonial president with a four-year term, a prime minister and cabinet with executive power, responsible to a unicameral parliament. The Prime Minister's executive power extends to control of the military. Issues of substance are overseen by the minister of defense who is responsible to the cabinet and parliament.

In spite of careful attempts to maintain cordial relationships with all nations, Singapore has been less than successful in achieving this objective. There have been

difficulties with Sweden resulting from alleged arms transfers and bribery of the Swedish Bofors Company. In August 1989, Singapore announced that it would allow and receive an important U.S. military base and would resume joint military exercises with Malaysia. Singapore maintained strong opposition to the Vietnam backed government in Cambodia. Singapore has shown sympathy in recent times with the government of China and expressed concerns that international media attention may encourage a push for more rapid changes in foreign policy than are politically and economically healthy.

In terms of policy direction, Singapore has focused both regionally and supra-regionally. These policies are designed to encourage the remarkable economic progress enjoyed since the early 1960s although greater attention will be given to improvements in management and diversification. With due consideration given to its policy objectives, the military will play a subordinate role, providing continuing support for other ASEAN members concerning conflict in Indochina, as well as its own international interests. (Dupuy, 1993, vol. 5, p. 2433)

3. Foreign Economic and Military Assistance

Between 1970 and 1983, the United States provided US\$590 million in export-import aid to Singapore. From 1970 to 1989, Singapore received US\$1 billion in aid from other Western countries. (Central Intelligence Agency, The World Factbook,

1995, p. 380) Singapore's financial organization memberships include the International Monetary Fund (IMF), the World Bank, and the Asian Development Bank. Loans from the World Bank and the Asian Development Bank were secured and used to finance development projects relating to water supply, electric power generation and distribution, sewerage, telephone services, educational services, and environmental control. Fourteen loans were secured from the World Bank between 1963 and 1975 with estimated outstanding balances in 1988 totaling US\$35.1 billion. Additionally, fourteen loans were secured from the Asian Development Bank between 1969 and 1980 with estimated outstanding balances in 1988 totaling US\$45.4 million. There were no other loans secured after 1980. (LePoer, 1991, p. 165)

The predominant sources of Singapore's military equipment and defense subsidization are the United States, the United Kingdom, Sweden, Germany, and France. Of particular note was Britain's contribution of US\$94 million in grants and US\$281 million in loans in 1971 as part of a compensation package resulting from the withdrawal of Britain's armed forces. Singapore was permitted to take possession of all British military installations, thus enabling the government to focus most of its spending on materiel, operations, and training. (LePoer, 1991, p. 238) Equipment supplies are in the form of armored vehicles, ships, and aircraft. Additionally, the

United States maintains a small training program in Singapore.
(Dupuy, 1993, vol. 5, p. 2433)

4. Defense Industry and Military Structure

The industrial base in Singapore includes petroleum refining, electronics, rubber processing and product manufacture, ship repair, biotechnology, and trade. Through these a substantial contribution to the defense industries of major arms-manufacturing nations is made. However, they do not constitute a major defense industry for Singapore.
(Hunter, 1997, p. 1137)

Though they lack a definite defense industry, Singapore does employ an extensive and comprehensive defense force. The military is headed by the Minister of Defense and his joint staff, who maintain close and effective control of the 55,500-member military. This includes the army, navy, air force, and army reserves. All males 18 years of age and older are subject to a two or three-year service commitment after which they are placed in the reserves. The Enlistment Act of 1970 requires enlisted men to remain in the reserves until they turn forty and officers remain on the reserve rolls until the age of fifty. (LePoer, 1991, p. 220)

Singapore's defense structure is based on a comprehensive national security policy which focuses on both deterrence and diplomacy. Singapore has the most dominant economy in Southeast Asia and is more than willing to allocate the

necessary funds to develop a potent military force. Defense spending is approximately six percent of its GDP, the largest percentage of the largest GDP in ASEAN. (The Stanford Report, 1996, p. 63)

Singapore's military modernization program is well established, focusing on air and naval equipment. Because of its small size, Singapore has to be prepared to fight battles outside of its territory. Singapore would prefer to resolve disputes through diplomacy if possible, and its membership in regional organizations such as ASEAN and the ASEAN Regional Forum (ARF) provide important opportunities to do so. (Berry, 1997, p. 44)

The U.S.-Singapore security relationship is an integral part of Singapore's defense structure. Singapore relies heavily on the support of two major American military units stationed there. These are the 497th Combat Training Squadron and the Command Logistics Group Western Pacific. The former unit is a United States Air Force (USAF) organization, the latter belongs to the U.S. Navy. Approximately 160 Air Force and Navy personnel are assigned to these two units which are located in a warehouse at the Port of Sembawang. In 1995, 65 U.S. Navy ships made port calls in Singapore. Additionally, there were six major USAF exercises, code named Commando Sling, with the Singapore Air Force in 1995. The exercises had a duration of one month, the USAF providing units from

bases in Japan, Alaska, and Arizona. Military-to-military ties are further enhanced by Singapore Air Force units training in the United States. These units consist of a squadron of F-16s operating out of Luke Air Force Base in Arizona and a small number of CH-47 helicopters in Grand Prairie, Texas. In addition to ship visits and joint training exercises, ships of the U.S. Seventh Fleet pass through the Malacca Straits and South China Sea on a regular basis. (Berry, 1997, p. 48)

5. Alliances

Singapore's Minister for Foreign Affairs Suppiah Dhanabalan described country's foreign policy in 1981 as "a willingness to be friends with all who sought friendship, to trade with any state regardless of ideology, to remain nonaligned, and to continue to cooperate closely with ASEAN members." (LePoer, 1991, p. 207). In a friendly gesture toward its neighbors and in recognition of its own regional heritage, Singapore has maintained its membership in the Nonaligned Movement. However, Singapore has consistently rejected neutrality as a foreign policy option. The rationale behind this decision suggests that the leadership has reasoned that avoiding entanglements with the major powers would leave Singapore far too vulnerable to threats from regional neighbors. (LePoer, 1991, p. 209) Singapore is linked with Malaysia militarily as a result of their co-membership in the

Five-Powers Defense Agreement (FPDA), under which the security of Singapore and Malaysia is guaranteed by Britain, Australia, and New Zealand. Additionally, Singapore has cooperated extensively with Malaysia and Indonesia, though without the benefit of a formal, written agreement, in maintaining the security of the Malacca Straits. In addition to membership in the FPDA, Singapore maintains memberships in ASEAN, the United Nations, the Non-Aligned Movement (NAM), and an assortment of other trade, economic, and health organizations. (Central Intelligence Agency, The World Factbook, 1995, p. 380)

6. National Security Concerns

Geography is a major determinant for Singapore's definition of vital national security interests. Singapore is located just off the southern coast of Malaysia and strategically placed at the nexus of the Malacca Straits and the South China Sea. Singapore has few natural resources and is situated between two much larger neighbors, Malaysia to the north and Indonesia to the south. With a population that is about 75% ethnic Chinese, 15% Malay, and 5% Indian, Singapore is frequently referred to as a Chinese island in a Malay sea. Maintaining one of the highest per-capita GDP rates in Asia (over US\$10,000) and possessing an outstanding performance record in Pacific trade and commerce, Singapore depends heavily on peace and stability in the region so that freedom of navigation is guaranteed through the vital sealanes which

are in close proximity to the island and absolutely essential to continued economic well-being. There are numerous multinational corporations making their headquarters in Singapore. They are attracted to Singapore's political stability and geographical location. If the regional peace was disrupted, Singapore's economy would be seriously affected. Therefore, regional peace and stability are major national security objectives. (Berry, 1997, p. 41)

Another important national security concern is regime survival. The People's Action Party (PAP) has been the dominant political party since Lee Kuan Yew became its leader in 1959. He was also Singapore's Prime Minister from 1965, when the country gained independence, until his retirement in 1990. Lee, does however, maintain the position of Senior Minister and continues to be a major political actor in Singapore, even though Goh Chok Tong is the Prime Minister. PAP leaders and most Singaporeans are convinced that the party needs to stay in power if the multiracial society is to stay in balance and the prosperous economy is to continue. (LePoer, 1991, p. 4)

Security threats to Singapore are regional in nature rather than domestic. Any economic disruptions in Southeast Asia resulting from conflict and interference with the sealanes in the Malacca Straits and the South China Sea would be devastating to Singapore. When Malaysian and Philippine

government officials were reluctant to mention China as a specific regional threat, their counterparts in Singapore were more inclined to do so. One Singaporean official made the point that his country did not establish normal diplomatic relations with China until 1990, the last of the ASEAN countries to do so. This delay was primarily for political reasons because of Singapore's ethnic Chinese majority and the fear from other nations within the region that Singapore would end up doing China's bidding. (Berry, 1997, p. 42)

The U.S.-Japan security treaty is perceived by many Singaporeans as being the key to future Japanese behavior. As long as the United States remains connected to Japan and maintains military forces there, Singaporeans will not view Japan as a major threat. This national perspective provides an interesting comparison with Malaysia. Several Malaysians expressed skepticism about the April 1996 Clinton-Hashimoto decision to consider the possibility of expanded security cooperation. Those interviewed in Singapore were encouraged by this decision because security cooperation would be enhanced and that would make it more likely that the United States will stay involved with Japan. (Berry, 1997, p. 43)

The current financial crisis that is affecting Southeast Asia has not bypassed Singapore, though they are holding up better than most. Financial services play a critical role in Singapore's economy. They contribute twelve percent to the

total GDP and employ five percent of the workforce. When combined with business services, the financial sector makes up fully twenty-eight percent of GDP. With so much of their financial security tied to banking, Singapore would appear to be vulnerable to the current monetary slump. (Heibert, 1997, p. 106) Falling currency values throughout Southeast Asia appear to have been triggered initially by the rapid decline in the Thai Baht beginning in early July 1997. According to Michael McNertney, managing director at Chase Manhattan Bank in Jakarta, the effects of the falling Baht on other regional currencies were anticipated because of their inter-relation with each other and the domino-effect. "Rightly or wrongly, this region is seen to be integrated; there is a block mentality." (Sender, 1997, p. 61)

In spite of their currency suffering some devaluation along with the rest of Southeast Asia, Singapore's banks have continued to grow. The United Overseas Bank recorded earnings growth of thirteen percent in the first half of 1997 while the Overseas Union Bank posted earnings growth of twenty-seven percent. (Heibert, 1997, pp. 106-108)

Singapore's Senior Minister and former Prime Minister, Lee Kwan Yew warned domestic banks in his National Day speech in mid-August 1997 that the reason they were continuing to do well was not because they were efficient but because they were protected from competition. Lee said, "We are going to face

very serious challenges in tournaments that we assumed we were going to win year after year." (Hiebert, 1997, p. 106) Within days of this speech, Singapore's government announced that it had launched a financial-review panel to look for ways to inject new vigor into Singapore's banking sector.

C. INDONESIA

1. History

The islands of the Indonesian archipelago have long been the focus of traders and colonizers intent on exploiting its rich natural resources. Many traders have also been interested in controlling the sea routes between China and India. Beginning in the sixteenth century, Portuguese, Spanish, Dutch, and English merchants sought the cloves, peppers, nutmeg, and mace that were found in abundance on the islands. The establishment of a colonial administration on Java by the Dutch in the nineteenth century, facilitated the intense and highly profitable cultivation and export of cash crops such as coffee and sugar. Then, in the late nineteenth and early twentieth centuries, the modern industries of the West, as well as Japan, were in need of the oil, rubber, and tin also found in abundance in the archipelago. These vast quantities of various, highly prized resources, made the Indonesian archipelago a rich prize for nations wishing to establish or maintain a dominant economic or political position.

An important consequence of the world's commercial interest in Indonesia over the centuries was the rise of indigenous maritime empires that came to control the trade within the archipelago. The Srivijaya empire lasted from the seventh to the fourteenth centuries. Located on Sumatra, the Srivijaya empire dominated inter-island trade because of its control of the Malacca Straits. In the late sixteenth century, the Dutch began to exercise their influence over the Straits region. By this time, the Dutch had a sizeable shipping fleet and a capable navy. Surviving wars with both Spain and Portugal in the last decade of the sixteenth century, the Dutch remained a dominant power in the Straits region, eventually establishing the United East India Company.

The Dutch continued to control the Indonesian archipelago and the Malacca Straits well into the eighteenth century. However, their success in enforcing a trade monopoly in the archipelago led to their own demise as the British and French began growing spices in their own territories, keeping prices down and eventually causing the United East India Company to go bankrupt. The British assumed control of Indonesia and the Malacca Straits from the Dutch when, in 1795 French revolutionary troops occupied the Netherlands. It was not until 1816 that Dutch authority reestablished in Indonesia and over the Malacca Straits. (Bunge, 1983, pp. 20-21)

The Dutch colonial empire, as it stood at the beginning of the twentieth century, provided the framework for a unified Indonesian nation. During this time progressive Dutch officials sought to promote educational reform and self-government for Indonesians within the colonial political system. This act of good will by the Dutch only spurred the Indonesians on to demand greater political autonomy and increasing anti-colonial resistance.

In the late 1920s, Sukarno ascended to a position of prominence among Southeast Asian political leaders. He was Indonesia's first national leader and eventually its president from the beginning of Indonesia's independence until he was forced to retire from political life in 1966. Sukarno had been closely allied with Islamic leaders and communists during the early days of the Nationalist movement. During this time, the Dutch did not respond to any of the groups' demands. When the Dutch colonists were finally deposed, it was not attributable to the Nationalists, Marxists or the Moslems but rather to the Japanese who by then exerted complete control over the region beginning in 1942. The Japanese occupation and control lasted more than three years and was a watershed in the emerging nation's history. The Dutch image of invincibility, which had grown to mythical proportions since at least the end of the Java War in 1830, had been easily shattered by Japanese forces. (Bunge, 1983,

p. 39) To the Japanese, the Malacca Straits were vital links in their wartime strategy. Their primary concern was maintaining control of these strategically important waterways which they used extensively to ship the bulk of their war supplies. They were also interested in controlling the abundant natural resources of the region, namely rubber and petroleum.

During this time, Sukarno was the leader of the Indonesian Nationalist Party. He agreed in early 1942 to cooperate with the Japanese. This seemed to be the best opportunity to secure independence for the archipelago. In July 1944, the Japanese found themselves in an increasingly desperate position which led to the unexpected decision to grant Indonesia its independence. The official announcement occurred on September 7, 1944 and served as a vindication for Sukarno and his decision to cooperate with the Japanese. Sukarno's position as the new head of state was quite short lived. When the Dutch returned after the war, he was forced to relinquish his post. He did, however, remain involved as a leader of the independence movement. As a figurehead president, he was extensively involved in the negotiations with the Dutch which resulted in the granting of republican rule of Java and Sumatra to the Central Indonesian National Committee. In 1947, the Dutch were forced to use a naval blockade to prevent the republican forces from spreading their

influence. Later, in early 1949, the United Nations prodded the Dutch to relinquish control of Indonesia and on 1 July 1950, the Republic of the United States of Indonesia was officially recognized. (Leifer, 1978, p. 15)

Despite the first national elections in 1955, parliamentary control was extremely difficult to achieve and maintain. During the 1950s and 1960s, violence and insurrection were the order of the day. There were unsuccessful rebellions in Sumatra, Sulawesi, and other islands in 1957 and a series of short-lived national governments. Attempting to regain control through an independent executive rather than by parliamentary rule, Sukarno opted for a so-called Guided Democracy in 1959. As a result of the establishment of an authoritarian regime, Indonesia became aligned with other Asian communist states, bolstering the importance of the Indonesian Communist Party (PKI). The PKI gradually gained control and in 1965 took steps to arm its followers thereby enabling them to become a potent armed force. The PKI-supported forces were met with resistance from Indonesian army leaders and on 1 October 1965 PKI-supported forces attempted to seize national power. PKI forces managed to occupy key locations in Jakarta where six senior Indonesian generals were kidnaped and murdered. Eventually, the Indonesian army put down the coup attempt, and in Java and Bali thousands of communists were killed, leaving

a lasting emotional turmoil that is still evident. Sukarno tried to restore the PKI's position but evidence of mismanagement and misconduct rapidly diminished his popular support. By March 1966 Sukarno was forced to relinquish key military and political power to Suharto, a popular leader who rallied the country to defeat the coup attempt. One year later Suharto was named acting president and in 1968 was elected president in his own right. He has been reelected every five years since then. (Dupuy, 1993, vol. 3, pp. 1248-49)

2. Politico-Military Background and Policy

Indonesia's political value system is authoritarian and paternalistic, with an emphasis on civil-service employment. This is a direct result of Hindu-Buddhist and Islamic influences and of the Indonesian intellectuals who fought for freedom. They found certain aspects of Western tradition and liberal political practices appealing and incorporated them into their own distinct system. The predominant political party, known as Golkar (Golongan Karja, meaning Functional Groups), claims to be the voice for more than 270 affiliated groups from all walks of life. Golkar carries the force, influence and status of a government party. Its recent voting strength has been nearly 75 percent. (Dupuy, 1993, vol. 3, p. 1249)

President Suharto functions as both leader and chief of state. As the head of the executive branch and the cabinet, he selects all of the members. There is a unicameral legislature consisting of a House of Representatives with 500 members, 100 of whom are appointed and the remaining 400 being elected. A second government body is the People's Consultative Assembly with 920 members, half of whom are selected through other than elective processes. This is the body that elects the president and the vice-president and therefore, in theory, determines the national policy. There is a Supreme Court, the highest judiciary body. Universal suffrage exists for those more than 18 and for all married persons, regardless of age. (Bunge, 1983, p. 183)

National military forces (TNI-Tentara Nasional Indonesia) provide for the national defense and fulfill a number of sociopolitical roles. Under Sukarno, the armed forces gained extensive political influence. The generals became deeply entrenched, proving quite difficult to dislodge. Overall, the military has a great deal of distrust for civil authorities, special interest organizations or ideological groups.

As a consequence of the PKI's unsuccessful efforts to infiltrate the armed forces and the failed 1965 coup attempt, the TNI purged its ranks of officers suspected of involvement. Suharto then combined the army, navy and air force into a single unified command with the army serving as the dominant

force. Suharto was now firmly in control of his country.

The focus of internal governmental policies continues to be issues of economics and stability, with a great deal of emphasis on the need to strike a balance between democracy and firm leadership. (Dupuy, 1993, vol. 3, p. 1249)

3. Foreign Economic and Military Assistance

Indonesia has received various amounts of economic and military assistance which fluctuate depending upon evolving international and political relationships. From 1967 to 1975, private foreign investments comprised roughly 48 percent of all approved investments in Indonesia. Of that amount, 42 percent came from Japan, nine percent from Hong Kong, four percent from the United States. (Bunge, 1983, p. 172) During Sukarno's reign, the amount of aid provided by the United States was about one-tenth that of the Soviet Union. However, since the time of Suharto's rule, the United States has supplanted the Soviet Union as Indonesia's primary economic and military assistance provider, albeit on a smaller scale. For example, in 1988 the United States supplied US\$2.8 million in military assistance contrasting the period 1958-65 in which Indonesia received US\$1.2 billion in military aid from Soviet and Soviet-bloc countries. (Dupuy, 1993, vol. 3, p. 1250) During the period 1970-89, U.S. aid, including Export-Import Bank arrangements, totaled US\$4.4 billion with aid from other Western countries totaling US\$25.9 billion during the same

period. Organization of Petroleum Exporting Countries (OPEC) and Communist countries' contributions totaled US\$213 million and US\$175 million respectively during the same period. (Central Intelligence Agency, The World Factbook, 1995, p. 200)

The diversity of Indonesia's military inventory suggests the flexibility with which they are able to deal with military suppliers. The United Kingdom and France provided light tanks and reconnaissance vehicles, as did the former Soviet Union. The United States has supplied antitank recoilless rifles and U.S. aircraft conduct all army and air force missions. Additionally, the Indonesian navy has possession of German designed and manufactured submarines, though their operability is highly suspect. (Dupuy, 1993, vol. 3, p. 1250)

4. Defense Industry and Military Structure

The defense industry in Indonesia is small. What manufacturing there is falls under the control of the military and is centered on the manufacture of ammunition, uniforms and field gear, ancillary equipment, unsophisticated repair parts, and small arms. A .30-caliber rifle is made locally in its entirety. As a consequence, nearly all major military end-items have been procured from foreign sources.

Since the mid-1960s, the United States has had the most significant influence on military thinking in Indonesia. The United States is not only a supplier of equipment. It is also

a major source of military schooling for most of Indonesia's officers. It is because of the extensive influence of the United States on the Indonesian military that one will find numerous similarities between TNI organization, doctrine, and tactics and those of the U.S. military.

Indonesia's armed forces defense structure is influenced by a doctrine that focuses on guerrilla warfare and gives due consideration to the geography of this vast island nation. Indonesian military units are small in size, lightly armed and mobile. Therefore, detecting and engaging Indonesian ground forces would be very difficult. These mobile units could inflict severe damage on passing ships with the artillery at their disposal.

In the 1960s, the armed forces were reorganized to provide a centralized command structure which provided the army with much greater influence than the navy or air force. This organization was implemented to support the necessary battlefield functions of intelligence, operations, personnel, logistics, territorial affairs, and communications; the departmental functions of manpower, material, finance, education, legal affairs, and security; and nonmilitary affairs such as sociopolitical development, civic mission, and finally functional groups that distinguish the military as a uniquely Indonesian institution. (Dupuy, 1993, vol. 3, p. 1250)

5. Alliances

Indonesia has maintained a consistently non-aligned military force structure. However, they have entered into a number of financial aid agreements with the United States and other supportive countries. Indonesia did provide a small number of troops to the UN peacekeeping forces in Vietnam in the 1970s and again in the early 1990s in support of the Persian Gulf war. Membership in the United Nations was established on 28 September 1950 and they are also a member of the Association of Southeast Asian Nations (ASEAN), Asia Pacific Economic Cooperation (APEC), OPEC, the Association of Tin Producing Countries, and a number of other international, socioeconomic-related organizations. (Central Intelligence Agency, The World Factbook, 1995, p. 200)

6. National Security Concerns

Indonesia's national security concerns center on internal stability issues relating to several revolutionary movements. The Free Papua Movement (OPM) of Irian Jaya, consisting of about 600 members of which about 100 are armed, is one threat. The Revolutionary Front for an Independent East Timor, with about 400 members, is also a threat to internal stability. The East Timor problem is an ongoing international dispute between Indonesia and Portugal. The United Nations has not officially recognized East Timor as a part of Indonesia.

Coupled with its enviable position as a major supplier of oil to Japan and its strategic position astride Indo-Pacific sea lanes, Indonesia possesses a significant global status since it has the potential to block passage of petroleum and gas products to Japan and other energy-dependent states.

The current monetary crisis involving Southeast Asia has hit Indonesia particularly hard. As a result of deregulation in the early 1980s, the banking sector experienced frenzied growth. The number of banks increased sharply from 111 in 1988 to 240 in 1994. Reckless lending practices by a large number of these banks has resulted in significant amounts of bad debts. The banking sectors' credibility has also been adversely affected by a series of private loan scandals and frauds crises. In the wake of these troubles, Bank Indonesia, their central bank, has tightened controls and introduced new prudential guidelines for the banking activity. In response to Bank Indonesia's desire for consolidation among the banks, a few have been looking at potential mergers or acquisitions. Others have secured joint ventures with foreign banks to help restore stability. When economic stability and growth serve so well to quell ethnic and income disparity tensions, Indonesian government officials become concerned over potentially volatile issues as financial crises. (Warner, 1997, p. 82) For Indonesia, economic security is closely tied to national security.

D. SUMMARY

The littoral states' history illustrates the turbulent beginnings each had to endure in the pursuit of independence. Once independence had been obtained, the littoral states were, and continue to be, reluctant to engage in alliances that would limit or otherwise inhibit their ability to respond to any perceived threat to their national interests in any manner deemed necessary. While each of the littoral states has, at one time or another, accepted economic and military assistance from foreign sources, there have been no reciprocating agreements that would have interfered with the littoral states' ability to protect their national interests directly and promptly. Though none of the littoral states have a defense industry of any significance to their own defense, their military structure is organized such that they would be able to respond promptly to any perceived threat to national security. Each of the littoral states have national security concerns that are affected by the Malacca Straits. As such, these tenacious countries might not hesitate to exert the force necessary to defend themselves and protect their national interests.

III. FORCE COMPOSITION, CAPABILITIES AND ASSESSMENTS

After years of concentrating on internal insurgencies or threats, the littoral states have in the past decade become more aware of the potential regional threats surrounding them and have taken the necessary steps to defend their waters and airspace. Patrick Cronin, an Asian arms expert at the National Defense University in Washington noted, "Even though they (Southeast Asian arsenals) are modest, they do change the character of what can happen in the tight airspaces and choke points of Southeast Asia." (Engardio, 1996, p. 56) Most analysts state, however, that the recent dash for military hardware is less an arms race than the result of bigger defense acquisition budgets and evolving strategies which are linked to a new emphasis on external security to protect commerce and resources.

At first glance, the force composition of Malaysia, Singapore, and Indonesia appears less than daunting. Their combination of small patrol craft, outdated frigates, and an air force comprised of mostly Vietnam-era aircraft could hardly be expected to muster up enough force to seize control of an international waterway, much less deal a significant blow to a major military power such as the United States. The littoral states have masterfully amassed militaries that are not only well-equipped for coastal defense and putting down insurrections, but are also capable of projecting power at

some distance from their shores. Tables 1, 4, and 7 are a partial list of the navy, army, and air force assets that would likely be employed in any attempt to control the use of the Malacca Straits.

Malaysia, Singapore, and Indonesia collectively possess quite a large number of Exocet and Harpoon anti-ship missiles. These weapons are very accurate and relatively inexpensive, especially when compared to an Aegis Cruiser. They also collectively possess a significant number of frigates, corvettes, and patrol craft to launch these weapons. While these are far from being comparable to an Aegis Cruiser, they are fast, inexpensive, and capable of inflicting heavy casualties on naval and merchant vessels. The air space around the littoral states is certainly not a weak link in the defense of their interests. Malaysia has a squadron of Starburst surface-to-air missiles (SAM) and Indonesia has four battalions of Rapier SAMs. Singapore has, by far, the most complex air defense system. Their holdings include an Air Defense Brigade consisting of one squadron of 35mm Oerlikon rapid-fire anti-aircraft guns and one squadron of Blind-fire Rapier SAMs. Additionally, there is an Air Force Systems Brigade consisting of one squadron of mobile RADAR, one squadron of Mistral SAMs, and three squadrons of RBS 70 SAMs.

In addition to land-based air defenses, the littoral states have equipped themselves with some state-of-the-art

combat aircraft as well. Together, they own several MiG-29s, FA-18s, F-16s, E-2C Hawkeyes, and Boeing 737-200s equipped to function in a similar manner as the Hawkeye.

In Tables 2, 5, and 8 the military expenditures for the littoral states are shown. A review of these tables indicates the determination with which the littoral states have pursued the development and modernization of the armed forces. In 1996, Singapore budgeted over US\$4-billion for defense spending and acquisition for fiscal year 1997. While Malaysia and Indonesia had budgeted less than that, their shopping list, when combined with Singapore's, is cause for concern: dozens of MiG-29s, F-16s, and attack helicopters and armored combat vehicles, tens of thousands of missiles and launchers. Also, it is estimated that within the next decade, twenty submarines will be added to the Southeast Asian arsenal. "Such naval power could give the ASEAN countries the option to block important shipping lanes." (Engardio, 1997, p. 57) Tables 3, 6, and 9 illustrate the value of arms transfers. Though the figures do not suggest a linear increase in arms imports and exports over the period covered, they do reflect the significant amounts of arms transfers conducted by the littoral states.

Table 1

Malaysia
1997 Force Composition

NAVY

Personnel 12,800 (15,000 planned)

Reserves 1,000

Fleet	Type	Active	Building (Planned)
	Frigates ^a	1	2
	Corvettes ^b	4	(2)
	Offshore Patrol Vessels ^c	2	(6) ^d
	Logistic Support Vessels	2	-
	Fast Attack Craft-Missile ^e	8	-
	Fast Attack Craft-Gun ^f	6	-
	Patrol Craft ^g	18	-
	Minehunters ^h	4	-
	Diving Tender	1	-
	Survey Ships	2	1
	LSTs ⁱ	3	(1)
	Training Ships	2	-

Notes:

^a 8 Aerospatiale MM 40 Exocet SSM, 16 British Aerospace VLS Seawolf SAM, 6 Whitehead Anti-submarine Torpedoes.

^b 6 OTO Melara/Matra Otomat Teseo SSM, 4 Selenia/Elsag Alobatros SAM.

^c 1 Creusot-Loire 100mm Rapid-fire Anti-surface/Anti-air gun.

^d Will be fitted with SSM and SAM.

^e 4 Aerospatiale MM 40 Exocet SSM, 1 Bofors 57mm gun, 1 Bofors 40mm Rapid-fire Anti-surface/Anti-air gun.

^f 1 Bofors 57mm gun, 1 Bofors 40mm Rapid-fire Anti-surface/Anti-air gun.

^g 2 Bofors 40mm Rapid-fire Anti-surface/Anti-air guns.

^h 1 Bofors 40mm Rapid-fire Anti-surface/Anti-air gun.

ⁱ 2 Bofors 40mm Rapid-fire Anti-surface/Anti-air guns.

Table 1 (CONTINUED)

Army

Personnel 90,000 (reducing to 80,000)

Reserves 33,000

Artillery	Type	Range
	105mm M102 Howitzer	8 nm
	105mm Model 56 P Howitzer	6 nm
	155mm FH-70	17 nm

After Ref. [Foss, 1996]

Air Force

Personnel 12,500

Reserves 600

Combat

Aircraft Total 79

Type

<u>Fighter, Ground Attack</u>	<u>Maritime Reconnaissance</u>
Hawk 108	C-130H/MP
Hawk 208	B200T
<u>Fighter</u>	<u>Tanker</u>
F-5E	A-4
F-5F	KC-130
RF-5E	
MiG-29	
MiG-29U	

After Ref. [Neaman, 1997]

Table 2

Malaysia
Military Expenditures, GNP, and Central
Government Expenditures

Year	Military Expenditures (ME) Million dollars Current Constant 1994	Gross National Product (GNP) Million dollars Current Constant 1994	Central Government Expenditures (CGE) Million Dollars Constant 1994	ME/ GNP %	ME/ CGE %
1985	962E*	1285E	11980	3.8	10.7
1986	1128E	1466E	14630	4.2	10.0
1987	1314	1656	12570	4.5	13.2
1988	867	1052	12140	2.6	8.7
1989	1081	1255	13880	2.9	9.0
1990	1208	1344	15470	2.7	8.7
1991	1727	1851	16990	3.5	10.9
1992	1745	1820	18400	3.2	9.9
1993	1934	1974	16480	3.2	12.0
1994	2121E	2121E	17600	3.2	12.0

*Estimate

After Ref. [World Military Expenditures and Arms Transfers 1995]

Table 3
Malaysia
Value of Arms Transfers

Year	Arms Imports		Arms Exports	
	Million Dollars Current	Constant 1994	Million Dollars Current	Constant 1994
1985	470	628	0	0
1986	60	78	0	0
1987	70	88	0	0
1988	40	49	0	0
1989	70	81	0	0
1990	40	45	0	0
1991	100	107	0	0
1992	90	94	0	0
1993	110	112	0	0
1994	330	330	50	50

After Ref.

[World Military Expenditures and Arms Transfers 1995]

Table 4

Singapore
1997 Force Composition

NAVY

Personnel 4000

Reserves 5000

Fleet	Type	Active	Building (Planned)
	Submarines ^a	1	(2)
	Missile Corvettes ^b	6	(8) ^c
	Offshore Patrol Vessels ^d	5	7
	Fast Attack Craft-Missile ^e	6	-
	Fast Attack Craft-Gun ^f	3	-
	Inshore Patrol Craft	12	-
	Minehunters ^g	4	-
	LST/LSL/LPD	3	4
	LCMs	6	-
	Diving Support Ship	1	-
	Police Coast Guard	69+	(20)

Notes:

^a 4-21 inch tubes, anti-surface wire-guided torpedoes.

^b 8 McDonnell Douglas Harpoon SSM, 2 Octuple IAI/Rafael Barak I SAM.

^c Will be fitted with SSM (Harpoon) and SAM-VLS (Barak).

^d 4 to 6 Gabriel II SSM, 4 Mistral SAM, 1 OTO Melara 76mm super-rapid-fire (120 rds/min) gun.

^e 4 McDonnell Douglas Harpoon SSM, 4 Gabriel II SSM, 1 Mistral SAM, 1 Bofors 57mm (200 rds/min) gun.

^f 1 Bofors 40mm (300 rds/min) gun.

^g 1 Bofors 40mm (300 rds/min) gun.

After Ref: [Sharpe, 1997]

Table 4 (CONTINUED)

Army

Personnel 45,000

Reserves 210,000

Artillery	Type	Range
	105mm LG1 Light Gun	6 nm
	155mm M68 GH(R)	16 nm
	155mm M71 GH(R)	16 nm
	155mm FH-88 GH	16 nm
	155mm FH2000	22 nm

After Ref. [Foss, 1996]

Air Force

Personnel 6,000

Reserves 7,500

Combat

Aircraft Total 157

Type

Fighter, Ground Attack

A-4S/SI

TA-4S/SI

F-16A/B

Reconnaissance

RF-5E

Fighter

F-5E

F-5F

Airborne Early Warning

E-2C

Transport/Tanker

KC-130B

C-130H

KC-130H

After Ref. [Neaman, 1997]

Table 5'

Singapore
Military Expenditures, GNP, and Central
Government Expenditures

Year	Military Expenditures (ME) Million dollars Current 1994	Gross National Product (GNP) Million dollars Current 1994	Central Government Expenditures (CGE) Million Dollars Constant 1994	ME/ GNP %	ME/ CGE %
1985	1559	26440	12210	5.9	17.0
1986	1500	27340	12940	5.5	15.1
1987	1578	30540	13340	5.2	14.9
1988	1860	34940	9319	5.3	24.2
1989	2010	40020	9231	5.0	25.3
1990	1959	45420	10950	4.3	19.9
1991	2488	50540	12290	4.9	21.7
1992	2775	55400	11610	5.0	24.9
1993	2900	61880	12860	4.7	23.0
1994	3064E	68660	13100E	4.5	23.4

After Ref.

[World Military Expenditures and Arms Transfers 1995]

Table 6
Singapore
Value of Arms Transfers

Year	Arms Imports		Arms Exports	
	Million Dollars Current	Constant 1994	Million Dollars Current	Constant 1994
1985	180	240	40	53
1986	320	416	60	78
1987	200	252	40	50
1988	380	461	50	61
1989	190	221	90	105
1990	230	256	30	33
1991	360	386	50	54
1992	180	188	30	31
1993	180	184	20	20
1994	270	270	20	20

After Ref.

[World Military Expenditures and Arms Transfers 1995]

Table 7

Indonesia
1997 Force Composition

Navy

Personnel 43,000

Reserves 13,000

Fleet	Type	Active	Building (Planned)
	Patrol Submarines ^a	2	(2)
	Frigates ^b	17	-
	Corvettes ^c	16	-
	Fast Attack Craft-Missile ^d	4	-
	Large Patrol Craft ^e	16	4
	Hydrofoils ^f	2	(2)
	LST/LSM	26	-
	Minehunters	13	-

Notes:

^a 8 21-inch tubes, wire-guided torpedoes.

^b 5 different classes of frigate contain one or more of the following: 8 McDonnell Douglas Harpoon SSM, 4 Aerospatiale MM 38 Exocet, 2 Short Brothers Seacat quad launchers SAM, 6 Honeywell Mk 46 ASW Torpedoes, 1 Bofors 120mm Anti-air/Anti-surface gun.

^c 8 SA-N-5 SAM, 2 57mm twin guns.

^d 4 Aerospatiale MM 38 Exocet SSM, 1 Bofors 57mm gun, 1 Bofors 40mm gun.

^e 1 Bofors 40mm gun.

^f 1 Bofors 40mm gun.

After Ref. [Sharpe, 1997]

Table 7 (CONTINUED)

Army

Personnel 235,200

Reserves 17,000

Artillery	Type	Range
	76mm M48 Mountain Gun	8,750m
	105mm Light Gun Mk II	18,500m
	105mm Model 56 P Howitzer	10,575m
	105mm Mk 61 SPG	17,000m
	105mm M101 Howitzer	11,270m
	122mm M1938 Howitzer	11,800m

From Ref. [Foss, 1996]

Air Force

Personnel 21,000

Reserves 7,000

Combat

Aircraft Total 77

Type

Fighter, Ground Attack

A-4E
TA-4H
F-16A/B
Hawk Mk 53
Hawk Mk 109
Hawk Mk 209

Maritime Reconnaissance

Boeing 737-200

Fighter

F-5E
F-5F

Transport/Tanker

KC-130B
C-130B/H/H-30

Counter-Insurgency

OV-10F

After Ref. [Neaman]

Table 8

Indonesia
Military Expenditures, GNP, and Central
Government Expenditures

Year	Military Expenditures (ME) Million dollars Current 1994	Gross National Product (GNP) Million dollars Current 1994	Central Government Expenditures (CGE) Million Dollars Constant 1994	ME/ GNP %	ME/ CGE %
1985	1539	2055	19860	2.4	10.3
1986	1671	2173	23410	2.4	9.3
1987	1465	1847	21220	1.9	8.7
1988	1429	1734	20800	1.7	8.3
1989	1528	1775	21550	1.6	8.2
1990	1667	1856	23870	1.5	7.8
1991	1825	1957	23390	1.5	8.4
1992	1924	2007	27750	1.4	7.2
1993	2043	2086	26710	1.3	7.8
1994	2318	2318	32800E	1.4	7.1

After Ref.

[World Military Expenditures and Arms Transfers 1995]

Table 9

Indonesia
Value of Arms Transfers

Year	Arms Imports		Arms Exports	
	Million Dollars Current	Constant 1994	Million Dollars Current	Constant 1994
1985	160	214	5	7
1986	160	208	0	0
1987	270	340	0	0
1988	260	316	5	6
1989	220	255	10	12
1990	290	323	5	6
1991	30	32	5	5
1992	50	52	20	21
1993	90	92	20	20
1994	40	40	10	10

After Ref.

[World Military Expenditures and Arms Transfers 1995]

Malaysia, Singapore, and Indonesia have made significant improvements to their armed forces. Each of the littoral states has a navy that is more than adequate to protect their fisheries and coasts and to control smuggling and piracy. Although these navies are not on equal footing with a major naval power like the United States, a large navy is not necessary to control the Malacca Straits. The employment of Harpoon and Exocet anti-ship missiles on fast, inexpensive, unsophisticated patrol craft serves as a potent equalizer in these narrow channels. The littoral states' air forces also have been vastly improved, especially with the procurement of Russian MiG-29s and U.S. F-16s. Though these high-performance combat aircraft are few in number relative to the overall totals of aircraft in their inventories, when added to the quantity of less sophisticated aircraft such as the A-4 and F-5, the littoral states possess an imposing air attack capability. Additionally, the employment of Harpoon and Exocet ASMs on some of these aircraft serves as an effective deterrent to surface forces. There is an advantage to be gained in employing large numbers of less sophisticated aircraft, especially when considering the short life expectancy of combat aircraft confronted with modern air-to-air or surface-to-air missiles.

Often overlooked by strategic planners is the capability of long-range artillery. Each of the littoral state's army

possesses a large quantity of long-range artillery, some with ranges of up to twenty-two nautical miles. When placed along the shores of the Malacca Straits, these weapons would create a gauntlet that would be impossible to run. These guns are great in number, easily hidden and highly mobile. Ships transiting the Malacca Straits will, on numerous occasions, pass well within the range of all of these long-range guns, making a successful transit costly.

When combined, the littoral states possess nearly one hundred naval vessels outfitted with ASMs, over three hundred combat aircraft, some of which are capable of firing AAMs and ASMs, and several hundred long-range artillery guns. Each of these weapons has the individual ability to close the Malacca Straits, for each one could sink vessels attempting a forced passage and, because of the shallowness and narrowness of the straits, prevent any further passage. Collectively, the littoral states possess a quantity of military assets sufficient to make destruction of them all a costly and time consuming option.

IV. CATALYSTS FOR RESTRICTING THE MALACCA STRAITS

A. UNITED NATIONS CONVENTION ON THE LAW OF THE SEA III

The United Nations Convention on the Law of the Sea III has led to difficulties between the littoral states and the rest of the world, especially the United States and Japan. The convention was less than successful in resolving disputes concerning accurate and all-encompassing definitions for such terms as "territorial seas" and "innocent passage." This created mutual animosity between littoral and non-littoral states as each side attempted to interpret these issues to their advantage. The littoral states maintain that it is their sovereign right to control the use of the Malacca Straits, citing Article 34 of the UNCLOS III. Article 34 states in part: "...passage through straits used for international navigation established in this Part shall not in other respects affect the legal status of the waters forming such straits or the exercise by the States bordering the straits of their sovereignty or jurisdiction over such waters and their air space, bed and subsoil." (Simmonds, 1983, p. B37) From the littoral states perspective, this article puts the emphasis on controlling the straits firmly in their hands, respecting the definition of Territorial Sea. Article 2 addresses the issue of territorial sea in this way:

1. The sovereignty of a coastal State extends, beyond its land territory and internal waters and, in the case of an archipelagic State, its archipelagic waters, to an adjacent belt of sea, described as the territorial sea.

2. This sovereignty extends to the air space over the territorial sea as well as to its bed and subsoil. (Simmonds, 1983, p. B27)

Article 3 goes on to define the breadth of the territorial sea: "Every State has the right to establish the breadth of its territorial sea up to a limit not exceeding 12 nautical miles, measured from baselines determined in accordance with this Convention." (Simmonds, 1983, p. B27) Because of its consistently narrow width, the majority of the Malacca Straits lie within the territorial seas of Malaysia, Singapore, and Indonesia, thereby creating the notion of ownership on the part of the littoral states. Through ownership comes the sovereign right to control the use of the straits, including denial of passage.

The non-littoral states cite Article 19 - Meaning of Innocent Passage, as their authority to use the Malacca Straits. Article 19 states, in part, that "Passage is innocent so long as it is not prejudicial to the peace, good order or security of the coastal State." (Simmonds, 1983, p. B31) Herein lies the argument of whether the littoral states have the sovereign right to control the use of the Malacca Straits to include denial of passage.

The Third United Nations Conference on the Law of the Sea (UNCLOS III) began in 1973, conducted its first major session in Caracas in 1974 and concluded in 1982. In 1981 however, the United States withdrew from the conference after the Reagan Administration took office. The U.S. position was aimed at the articles relating to deep sea mining. There was an attempt to resolve the conflict by the conference members but it failed. The conference concluded in 1982 and the convention was presented. The United States did not accept the convention, although the President publicly stated on 10 March 1983 that the articles covering traditional navigational practice, including those that cover archipelagic states, international straits, transit and innocent passage, and the responsibilities of coastal states would be accepted. (O'Connell, 1982, pp. 24-28)

The interpretation of the definition of the terms "territorial seas" and "innocent passage" are key points of disagreement between the littoral states and the non-littoral states. In spite of their concerns over the issue of deep sea mining, the United States, particularly the U.S. Navy, had every reason to come away from the UNCLOS III feeling very satisfied. Several achievements of the Convention are relevant to the navy: the twelve-mile territorial sea with a right of innocent passage (Articles 3-16); transit passage in straits (Articles 37-44); coastal state rights over living and non-

living resources in the EEZ; freedom of navigation and overflight for other states (Articles 55-75); coastal state rights over the living and non-living resources of the continental shelf (Articles 76-78); and the validation of the concept of archipelagic seas, including the right of archipelagic sea-lanes passage for others (Article 53). (Booth, 1985, pp. 22, 23, 72) The Convention validated the freedoms traditionally enjoyed by naval powers. However, one noteworthy change to this tradition was the extension of the territorial sea to twelve miles. Because this did not entail the closing of international straits, this change proved to be of little concern to those nations interested in the right of passage in international straits, especially the United States. The use of a twelve mile territorial sea had become widely accepted prior to UNCLOS III and had not been seen as a serious interference with modern naval operations. The fact that the Convention addressed it at UNCLOS III was simply a compromise between traditional naval interests and contemporary political and economic aspirations regarding the sea. (Booth, 1985, p. 73) On this issue, the primary concern of the naval powers was to maintain the maximum possible freedom of navigation. This included innocent passage through territorial waters, unimpeded transit through straits and archipelagos, and high seas freedoms. The threat to these goals was pressure from the coastal states which desired to

exercise greater control over adjacent waters that are defined by Article 3 as territorial seas. Some observers suggest the Convention managed a satisfactory resolution of the tension between requirements for naval mobility and coastal states' pressures to increase their jurisdiction. (Booth, 1985, p. 73) The prevailing attitude of the littoral states, however, seems to contradict this observation. Article 19 - Meaning of Innocent Passage, states:

1. Passage is innocent so long as it is not prejudicial to the peace, good order or security of the coastal State. Such passage shall take place in conformity with this Convention and with other rules of international law.

2. Passage of a foreign ship shall be considered to be prejudicial to the peace, good order or security of the coastal State if in the territorial sea it engages in any of the following activities:

- (a) any threat or use of force against the sovereignty, territorial integrity or political independence of the coastal State, or in any other manner in violation of the principles of international law embodied in the Charter of the United Nations;

- (b) any exercise or practice with weapons of any kind;

- (c) any act aimed at collecting information to the prejudice of the defense or security of the coastal State;

- (d) any act of propaganda aimed at affecting the defense or security of the coastal State;

- (e) the launching, landing or taking on board of any aircraft;

- (f) the launching, landing or taking on board of any military device;

(g) the loading or unloading of any commodity, currency or person contrary to the customs, fiscal, immigration or sanitary laws and regulations of the coastal State;

(h) any act of wilful and serious pollution contrary to this Convention;

(i) any fishing activities;

(j) the carrying out of research or survey activities;

(k) any act aimed at interfering with any systems of communication or any other facilities or installations of the coastal State;

(l) any other activity not having a direct bearing on passage. (Simmonds, 1983, pp. B31-32)

The primary interest of the littoral states is paragraph 2.h pertaining to pollution. Their position is that all shipping traffic in the straits region produces quantities of pollution sufficient to satisfy the conditions of this paragraph. They argue that it is not only in their best interest to control the type and volume of traffic in the straits region, it is their sovereign right to do so. The Chief of Staff of the Indonesian Navy reiterated his country's stand on this issue, one that has been taken since early 1970, by stating:

Every nation has the right to protect its territorial waters from use by other countries which could endanger the interest of its people, as by causing water pollution and damaging off-shore exploration and fishing industries. This will surely happen if heavy ships above 200,000 tons pass through the waterway (Malacca Straits) which is shallow in several parts. (Asian Research Bulletin, 1972, p. 1004 B)

The Malaysian prime minister expressed similar sentiments by stating:

Indonesia and Malaysia have the right to control the Straits of Malacca so that it will not be polluted by oil spills from tankers which can and will destroy the fish and the shores of both countries. If this happens, the means of livelihood of thousands of Malaysian and Indonesian fishermen will be jeopardized. (Asian Research Bulletin, 1972, p. 1004 B)

B. POLLUTION

The greatest threat to the economy and security of the littoral states comes from the dangers of extensive pollution stemming from the transit of supertankers or VLCCs (very large crude carriers). (Johnston, 1978, p. 181) Pollution could result from deballasting operations in which unused oil tanks are filled with water to enhance stability and are then pumped out, usually with a considerable amount of residual crude oil included, to make room for a new load. A far more serious source of pollution would result from a collision or grounding of a VLCC, where vast quantities of crude oil would decimate the surrounding fisheries and coastlines. It is this latter example that has troubled the littoral states the most.

Concerns over a major oil spill in the straits region were realized on January 6, 1975 when the supertanker *Showa Maru*, weighing 237,698 and owned by Taiheiyo Kaiun Co. Ltd. Tokyo, ran aground just three miles from Singapore harbor. En route to Japan from the Persian Gulf, the *Showa Maru* spilled over 7,300 tons of crude oil, creating a six-mile long oil

slick that threatened the island of Singapore, the west coast of Malaysia and the fishing grounds of the Riau Islands chain in Indonesia. The significance of this accident went far beyond the reach of the spill. It created a rush of consultations among the three coastal states of the straits, which promised a new level of consensus and solidarity that neither UNCLOS III nor the then recent passage of the nuclear powered *USS ENTERPRISE* were able to achieve. (Nakamura, 1978, p. 14) This attitude of solidarity, pertaining to interests in protecting and controlling the Malacca Straits, is still strong today. With their economies so heavily tied to these straits, the littoral states are more determined to exercise their rights when regulating their use.

The *Showa Maru* incident was seen in Jakarta as a confirmation of the government's worst fears. Long an advocate of limiting the weight of VLCCs passing through the Malacca Straits to 200,000 tons, Indonesia had been insistent that the only safe route for these VLCCs of 200,000 tons and over bound for Japan was through the Straits of Lombok and Makassar. As the main user of the Malacca Straits, Japan seemed eager to make concessions, particularly with regard to the need to divert the passage of supertankers of over 200,000 tons through the Straits of Lombok and Makassar. (Johnston, 1978, p. 182) Initially, Japan cooperated with Indonesia's demands to use this alternate route beginning in October 1971

and others followed suit. However, tanker owners objected to this rerouting because it cost more time and money. The route normally taken from the Persian Gulf to Japan runs through the Malacca Straits and is 6,606 miles long, whereas the route through the Straits of Lombok and Makassar is 7,605 miles, a difference of 999 miles. The time necessary for the navigation of the route through the Malacca Straits normally takes 17.4 days, while taking the route through the Straits of Lombok and Makassar would require 20.1 days, a time differential of 2.7 days. The resulting time demand would cause the cost of each tanker to increase significantly, causing a corresponding increase in the cost of oil in Japan. In spite of this apparent negative net result, opting for the longer route would allow for the possibility of increasing the tonnage of each tanker due to the increased depth of these straits, thereby reducing the overall transportation costs significantly. (Johnston, 1978, pp. 182-183)

C. REGIONAL CONFLICTS

1. Conflicting South China Sea Territorial Claims

The Spratly Islands, located in the South China Sea, are possibly the most dangerous area in Southeast Asia and pose a serious threat to regional peace. China, Taiwan, Vietnam, Brunei, Malaysia, and the Philippines have conflicting territorial claims to the Spratlys. Potential oil and natural gas deposits, rich fishing areas, and their position adjacent

to some of the most important searoutes of communication (SLOC) contribute to the value of these small islands and atolls. Additionally, several countries have established expanded economic zones in recent years. Because some of the zones overlap, territorial disputes are exacerbated. (Valencia, 1995, p. 14) As an illustration to the extent to which these disputes have been elevated, China and Vietnam fought several naval engagements in 1988 in and around the Spratlys, each attempting to substantiate its claims through military force. (Berry, 1997, p. 11)

In February 1992, China's National People's Congress passed the Law on Territorial Waters and their Contiguous Areas. This was, among other things, a declaration that the Spratlys are a part of China's territorial sea and authorized the use of armed force to settle conflicting claims. ASEAN foreign ministers met in July of the same year for their annual meeting and issued their own ASEAN Declaration on the South China Sea, which urged restraint on all the parties involved in disputes. This declaration calls upon all claimants to honor a pledge not to use force to settle territorial disputes and to promote economic development of the South China Sea while issues of sovereignty are negotiated. Although the foreign ministers did not specifically mention China, it was clearly evident that they were concerned over the earlier Chinese legislation and

China's threat to use force. (Simon, 1992, pp. 12-13)

In 1995 and 1996 the aforementioned concerns were greatly increased when China directly challenged the Philippines on and around Mischief Reef which both countries claim. Chinese construction of what appeared to be a guard post and Chinese soldiers manning it have been observed. Because Mischief Reef is only 135 miles from the Philippine island of Palawan, Philippine authorities strongly expressed their displeasure for these actions and called on China to withdraw. (Holloway, 1995, pp. 22-23) Because the Philippine military is so weak, China picked a good test case to determine what response to expect from Mischief Reef claimants. In spite of the still effective Mutual Defense Treaty with the United States, the Philippine military weakness was a sobering realization for their political and military authorities. Possibly, China viewed this challenge to the Philippines as a means to probe what the ASEAN and U.S. responses would be. China's aggressive behavior in the Spratly Islands represented the first direct territorial challenge to an ASEAN member. (Valencia, 1995, p. 21) In spite of China's far-reaching claims, the littoral states and other members of ASEAN are loath to establish a unified military front for fear of unnecessarily antagonizing Beijing. Lee Lai To, vice-chairman of the Singapore Institute of International Affairs stated that, "It is dangerous for us to talk of China as a threat, as

such talk could become a self-fulfilling prophecy.”
(Engardio, 1997, p. 56)

The well-established American position concerning conflicting claims in the South China Sea is that disputes should be settled peacefully without threat or the use of military force. The United States does not maintain a stance concerning the merits of the respective claimants, but is willing to utilize its diplomatic resources to help resolve any differences. (Berry, 1997, p. 12) Subsequent to the development of the China-Philippine dispute over the Spratly Islands, Assistant Secretary of Defense for International Security Affairs Joseph Nye stated that if any conflict in the South China Sea resulted in the interference of freedom of the seas, then the United States Seventh Fleet was prepared to provide escort service in order to protect that freedom of navigation. (Holloway, 1995, p. 22) Although Nye did not name China specifically, it was clear that his reference was to the recent China-Philippines dispute and that he was suggesting to the Chinese that they refrain from future actions which could disrupt navigation through these critical waterway. (Berry, 1997, p. 12)

2. China and Taiwan

Another significant territorial dispute which could affect Southeast Asia is the one between China and Taiwan. This situation reached crisis proportions preceding Taiwan's

first direct presidential election in March 1996. During the weeks prior to this election, China made attempts to intimidate Taiwan's government and citizens by conducting a series of military maneuvers and exercises in close proximity to Taiwan. (Kulkarni and Baum, 1996, pp. 18-21) Included in these maneuvers and exercises were live artillery fire off the southwest and northeast coasts of Taiwan, near heavy shipping lanes, and the positioning of sizable military forces on the Chinese mainland across from Taiwan. Chinese leadership had apparently hoped these actions would assist in the defeat of Taiwanese candidates who were espousing increased independence for Taiwan in the international community. In December 1995, it became evident that China's use of similar intimidation tactics did little to influence the voting for Taiwan's parliament. Ten million people, or 68% of the electorate, turned out for the legislative elections. The results clearly indicated that voters did not only fall into the categories of "pro-China or anti-China." Rather, voters issued a mixed verdict on the major political parties, firmly establishing a three-party system. The dominant Kuomintang's majority was reduced, allowing the pro-independence Democratic Progressive Party to achieve modest gains. Voters also offered encouragement to the neo-conservative New Party, which has a softer stance on ties with China. (Baum, 1995, p. 14)

The U.S. position concerning China and Taiwan has been the same since the 1972 Shanghai Communiqué. There is only one China and Taiwan is part of China. However, the 1979 Taiwan Relations Act calls on China and Taiwan to settle their differences by peaceful means and pledges U.S. support for Taiwan's defense by providing military equipment to replace obsolete systems. An example of this support came in the form of U.S. influence both diplomatically and through the deployment of aircraft carrier battle groups to the region during the aforementioned crisis. Diplomatically, the United States continued its policy practice of "strategic ambiguity" in that American policy makers did not state specifically what response the United States would take if China threatened more direct action against Taiwan. (Berry, 1997, p. 14) Nevertheless, this policy allowed the United States to serve as an effective moderation force concerning both China and Taiwan. Tensions have subsided moderately since the March 1996 election. The decision to deploy military forces in the form of two aircraft carriers was also an important foreign-policy tool that contributed to this outcome. If the United States had not used its military assets, there is a possibility that the most recent crises could have become worse and may have resulted in conflict between China and Taiwan. No other country has the capability to influence both the Chinese government and Taiwanese Government the way the

United States did. (Berry, 1997, p. 15)

3. Superpower Vacuum

There are other potential sources of conflict in East and Southeast Asia in addition to the Spratlys and the China-Taiwan dispute. In a recent article in *Foreign Affairs*, Kent Calder pointed out that several countries in the region are in the process of becoming more dependent on Middle East oil suppliers. (Calder, 1996, p. 55) Included in this list were China, Taiwan, Japan, and South Korea. The greatest long-term security threat to the region is a potential naval arms race involving China, Japan, and possibly South Korea as these countries attempt to protect their SLOCs. These SLOCs will become even more important to their economic growth and development with an increase in their dependence on Middle East oil supplies increases. (Calder, 1996, 61-62) The U.S. Seventh Fleet in particular serves as a stabilizing influence in the region, reducing the possibility of such an arms race since the United States position is clearly on supporting freedom of navigation in the South China Sea and elsewhere. (Berry, 1997, p. 15)

Similarly related to this stabilizing influence exercised by the United States is the concern among several Asian states that the United States might reduce this presence due to domestic and other pressures. Should this happen, some fear that a power vacuum would result whereby regional powers may

try to fill the void. Asia does not have a collective security relationship comparable to that of NATO (the North Atlantic Treaty Organization) in Europe. As a result, the United States provides a security presence, evidenced by security treaties, agreements, and forward-deployed military forces that was the cornerstone of Asian security in the post-World War II era. Although the Cold War is over, real and potential conflicts in the region still exist. A withdrawal or further reduction in U.S. military forces is likely to motivate China, Japan, or perhaps a unified Korea to fill the vacuum that would result. (Calder, 1996, pp. 61-62) Concerns expressed in the early 1950s by several Asian countries pertaining to the possible Japanese threat are still valid. The security relationship between the United States and Japan remains an important tool in convincing the Japanese that increased military expansion in the region is not only unnecessary but would prove counterproductive to Japan's larger foreign policy goals. This relationship has also attenuated fear within the region concerning Japanese intentions. (Berry, 1997, p. 16)

Many countries in East and Southeast Asia view the United States as an "honest broker" and a valuable asset in providing assurances that possible antagonists will not engage in military aggression provided the American presence remains viable. The continued presence of the U.S. Seventh Fleet and

other forces are tangible evidence of the U.S. commitment to remain engaged in the region. Widely accepted is the notion that the absence of a United States presence will increase the chances for conflict. (Berry, 1997, p. 17) Although some Asian leaders are reluctant to express their public support for the continuation of the U.S. military presence out of concern that such comments might offend China, there is widespread agreement that maintaining the status quo, including U.S. forces, is in their best interests. Expressing these sentiments in an interview after the 1996 China-Taiwan dispute was Assistant Secretary of State Winston Lord. He stated that most Asian countries have expressed support for the presence of U.S. military forces to limit the possibility of the outbreak of hostilities. However, these countries made these statements in private because they did not want to encourage a confrontation with China. (Chanda, 1996, p. 17)

Each of the preceding illustrations of potential regional conflict could have an overwhelming impact on all nations in East and Southeast Asia. As nations engage in armed conflict, the peripheral nations, who were not otherwise directly involved in the original hostilities, could be drawn into the fray. Of major importance to all nations in this region is the maintenance of freedom of navigation through international waters. The outbreak of hostilities may cause those not involved to take the necessary military actions to secure

their coasts and ensure safety of passage in international waters.

Particularly susceptible to the threat of armed conflict and possible foreign occupation during a period of hostilities are Malaysia, Singapore, and Indonesia. Considering their geostrategic positions astride this critical passage, hostile countries would certainly vie for control of this region. Control of the Malacca Straits would ensure the continued flow of necessary conflict-supporting supplies for those who possess that control as well as denial of the same supplies needed by those who are not in control. Clearly, any armed conflict in the Asia/Pacific region will eventually have a significant impact on the Straits littoral states. Consequently, the littoral states are intent on increasing the size and capability of their armed forces to protect their interests in the region.

V. CONCLUSION

For Malaysia, Singapore, and Indonesia, regional instability is a major threat primarily because instability, especially if complicated by limited regional hostility, would seriously disrupt economic growth and development. Though keenly aware of the sources of tension in the region, the littoral states are reluctant to specify any one country as a threat to regional stability. This is especially true in the case of China. The idea of provoking a potentially self-fulfilling prophecy is not favored by the littoral states. The littoral states support the idea of concentrated efforts on negotiation and regional dialogue through the ASEAN-ARF process as the method of choice for resolving disputes in the Asia/Pacific region.

For the United States, maintaining freedom of navigation and keeping international sea lanes open has always been important. When considering strategic interests in Southeast Asian waters, the United States is interested in the maintenance of open sea lanes between the Pacific and Indian Oceans. Its national interests are best served by unrestricted waters that promote free trade. The ability to transit freely the Malacca Straits enhances the efficiency of the U.S. Seventh Fleet. Closure of these straits would increase the transit time between the Pacific and Indian Oceans which could prove to be a critical factor in situations

requiring expeditious movement of the fleet between the two oceans. The United States is equally committed to maintaining open sea lanes for maritime traffic in the Southeast Asia region, especially for its East Asian allies whose economies are growing more dependent on Middle East petroleum products.

The littoral states have been quite tolerant of United States task forces transiting the straits in the past. In spite of disagreements with the United States over certain portions of UNCLOS III, especially those issues pertaining to international straits and innocent passage, the littoral states have never attempted to restrict the passage of United States naval vessels. However, strategic planners should not automatically assume that United States forces will be permitted to use the straits in the event of regional hostilities.

The combined military assets of the littoral states are sufficient to control the Malacca Straits. If, for reasons perceived as contrary to their national interests and security, the littoral states should proclaim the Malacca Straits off-limits to certain or all shipping, these nations would be well advised to accept this proclamation and enact contingency plans for movement of their vessels through other waterways. To be sure, no nation will accept this situation without complaint. However, the costs of attempting to force their way through the Malacca Straits would outweigh the

benefits. Though initially the resulting delays in the movement of raw materials, petroleum products and other merchant goods would upset the economies and stability of the region, it simply would not be worth engaging in armed conflict to re-open the Malacca Straits. Utilizing an alternate route through the Lombok and Makassar Straits would increase the time and expense of shipments but these costs are insignificant when compared to the costs associated with armed conflict.

Because Malaysia, Singapore, and Indonesia possess the military capability to inflict significant casualties on those who attempt to force passage through the Malacca Straits, the affected nations will probably not be inclined to take these risks and will transit other routes. The very real threat of the use of military force to prevent the use of the Malacca Straits by others will be sufficient to actually achieve control. This control could be maintained indefinitely.

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